

## Ensuring Reliable Supply Chains

Maintaining a reliable supply of pharmaceutical products is always critical. As an essential business, Viatris has taken action to maintain a reliable supply of medicines, with special measures around critical medicines in times of volatile demand.

We rely on our suppliers and business partners to deliver high-quality, affordable and accessible products to our customers and, ultimately, to patients. In addition to robust procedures and controls, maintaining good relationships helps us to reduce risk and ensure a high-quality and reliable supply as well as advance our sustainability practices. The strong relationships with logistics partners were especially valuable in addressing the volatile changes in demands.

Global, diverse and flexible supply chains are key to timely and affordable access to medicine. Viatris' ability to supply medicines and maintain high levels of service around the world is rooted in our global network of suppliers with a robust ability to manage shocks affecting any particular region. The agility achieved through a global network improves our ability to respond to demand spikes and evolving patient needs. In 2022, we were able to maintain a global customer service level of 90% in a context of volatility in demand, inflation, and supply chain disruptions in general.

Our customer service level metric is “on-time-in-full delivery” to our customers. On time is customer specific and measured against customer agreements. In full is 100% of volume ordered. It is important to Viatris to measure service from our customers' perspective.

We have a globally diverse supply network made up of both internal and third-party manufacturing facilities. Our network is made up of a considered mix of local, regional and global supply sites which provides significant supply chain resiliency. However, local facilities seldom only supply medicines for the local market. No country can make every medicine it needs and will still rely on external inputs for those medicines that are finished locally. Proximity of component and material suppliers to our manufacturing locations is one of the most critical elements considered when sourcing strategy is developed and executed. If there are constraints around supplies in a specific country, we use our supplier network from other countries to build resilience. Our approximately 40<sup>1</sup> manufacturing sites across more than five continents, combined with our global supply chain network and the facilities of the many partners with whom we collaborate on manufacturing, development, supply and logistics, offer a worldwide, strategically located network of robust size and scope.

We have approximately 650 third parties that enhance our internal capacity and capabilities. From an API point of view, we have built long-term strategic partnerships with our API suppliers to mitigate disruption.

We are a leading producer of API used in generic ARVs, which treat HIV/AIDS. We also produce API for products in the following areas: antibacterial; central nervous system agents; antihistamines/antiasthmatics; cardiovasculars; antivirals; antidiabetics; antifungals; and proton pump inhibitors.



— **Matthew T. Sines**  
Head of Operations Management and Governance,  
Viatris

“Our work to address key sustainability matters helps us build more resilient operations. This work spans across our organization and beyond, ultimately enabling our ability to provide access at scale.”

Approximately half of our API comes from India and China, and the other half originates from North America, Europe and Emerging Markets. In India, we have 15<sup>1</sup> manufacturing facilities located in seven<sup>1</sup> different states, which mitigates the risk of disruption in any given part of the country.

- Viatris' top 100 products are supplied by >200 locations from 35 countries.
- Many products registered at multiple sites offer risk mitigation and flexibility to meet demand
- ~50% of our top 100 products are dual sourced for API and/or finished products
- >110 locations in >20 countries supply API for our top 100 products

### Sources

<sup>1</sup>Not taking into account the planned divestitures of certain API manufacturing and manufacturing of certain women's health products in India, which are yet to be completed.

For Europe, our finished dosage form facilities are supported by five different countries to mitigate risk of disruption. Viatris' global supply chain is strategically designed to support our business and to protect the quality and safety of our diverse and increasingly complex products. We are continuously monitoring inventory levels of our raw materials and dosage forms.

Designed to reach more patients with more solutions when and where they need them, our regional supply sites are often in close proximity to our key markets and utilize demand and supply data to leverage capabilities and create efficiency and flexibility across our operations. We have a Rapid Response Advanced Planning system, which is a state-of-the-art technology for supply chain planning and management. The program enables key stakeholders to be closely connected across our global operations. It enables us to update and share information in real time, allowing us to leverage capacities and resources across key functions such as commercial, supply chain, warehousing and manufacturing. We look out over a 24-month horizon and plan supply to meet both the forecast and safety stock requirements to buffer against any potential fluctuations in demand or supply. Safety stock strategies combined with interconnected global supply chains help ensure continuity of supply for Viatris' customers while also supporting broader market requirements when competitors stock out. We are constantly monitoring stock levels in our local and regional warehouses. We audit all stocking locations, adhering to GDP (Good Distribution Practice). We have worked diligently over the years to connect teams and build a better understanding of customer requirements and further improve forecast accuracy. Doing so helps us plan production and reduces the risk of excess stock.

## Upholding Strong Supplier Relationships

Strong relationships and a global, diverse, flexible and transparent supply chain, supported by well-established processes, have enabled Viatris to uphold a reliable supply of medicines and address volatile demands and urgent patient needs. Viatris' Supplier Relationship Management Program

focuses on risk mitigation and further enhancing long-term strategic partnerships with preferred suppliers.

Hard and soft expectations from key stakeholders of our management of key sustainability matters in our own operation as well as in our external supply chain are rapidly evolving. Our continued commitment to work more closely with our key partners in the external supply chain will help us meet these expectations and be a Partner of Choice® in building more resilient and sustainable supply chains – ultimately serving patients with a reliable supply of medicines.

## Advancing Sustainable Sourcing

Viatris works with trusted partners around the globe through robust processes, practices and technologies that help us identify, evaluate, select and deliver goods and services that are cost effective, compliant and reliable. By also applying sustainability criteria in supplier engagement, we seek to further reduce risk, build resilience and contribute to more sustainable outcomes for partners across our value chain.

Our sourcing vision is to serve as an:

- Integrator of social, ethical and environmental parameters into Viatris Sourcing Practices, Standards & Strategies
- Partner of Choice®
- Catalyst for supply resilience ensuring access to more markets and patients worldwide

In 2022, our work focused on further building the foundation for sustainable sourcing including ensuring connectivity and ownership of sustainable sourcing components within applicable functions throughout Viatris via our Council for Sustainable Sourcing and Engagement. The council includes members from Viatris' vertical and sourcing leadership, EHS and CSR leadership, Quality, Legal, Operations, Compliance and Commercial. The council meets regularly throughout the year and is responsible for:

- Providing guidance and direction for sustainable sourcing

- Developing the governance, practice and reporting of sustainable sourcing
- Instilling the culture of sustainable sourcing within sourcing teams
- Setting and tracking annual sustainable sourcing goals and objectives
- Developing, implementing and aligning practices with enterprise policies and metrics from a sustainable sourcing perspective
- Continuing to expand our focus on procurement to reduce environmental impacts

## Partnerships for More Sustainable Outcomes

Partnerships and collaboration are essential for progress, scale and lasting impact. To this end, Viatris is a full active member of the Pharmaceutical Supply Chain Initiative (PSCI), benefitting from joint principles on and helping to promote collectively responsible supply chain management and better conditions across the industry. We currently hold the PSCI vice-chair and are active members of several PSCI working groups. By partnering with PSCI, we contribute to finding synergies and enhance efficiencies across our supply chains, ultimately allowing us to allocate resources to the creation of sustainable access to high-quality medicine. We are also leveraging PSCI's supplier training programs to encourage our suppliers to participate in webinars and utilize training materials on topics promoting and increasing awareness of sustainable and responsible practices specific to pharmaceutical operations.



## Viатris' Supplier Code of Conduct

Our suppliers are key to our development and the supply of high-quality medicine. Just as we are committed to conducting business responsibly and in compliance with applicable laws, we expect no less from our suppliers. We launched Viатris' Supplier Code of Conduct in 2022, replacing the codes of the legacy organizations forming Viатris in November 2020. The Supplier Code of Conduct is the guiding document for suppliers wanting to do business with Viатris and sets a minimum standard of conduct.

The code is based on Viатris' commitment to the UN Global Compact and the Pharmaceutical Supply Chain Initiative (PSCI) principles. Most Viатris employees, including all employees involved in managing our procurement and supply chain activities, have mandatory training on Viатris' Supplier Code of Conduct, including training on the topic of Labor and Human Rights. Viатris' internal communication and certain market-specific training instructs employees on how to identify risks concerning all forms of slavery and human trafficking and how to report any suspected illegal activity. To align our suppliers with the code, we initiated dedicated supplier communication to our top suppliers by spend in 2022 and will continue that process in 2023. The code is available to all suppliers and partners via Viатris' public website and is included in all new supplier agreements.

## Mitigating Supply Chain Risks

We have a robust due diligence process to better understand supplier capabilities and ensure their ability to comply with regulatory and compliance requirements. As part of de-risking the supply chain, we also have a process for dedicated sustainability risk assessment and a third-party due diligence program focused on high-risk partners, including suppliers ([see page 82](#)).

Viатris' Environment, Health and Safety and Business Resiliency (EHS and BR) programs work to reduce business risks, liability risks and reputational risk by:

- Promoting transparency in the supply chain on significant EHS vulnerabilities impacting supply

Overarching areas covered by Viатris' Supplier Code of Conduct which contain detailed expectations across sub-topics include:

- Ethical Business Practices
- Labor and Human Rights
- Health and Safety
- Environment
- Management Systems
- Sustainability Management and Disclosure

External stakeholders including members of our supply chain are encouraged to report any concerns via Viатris' Compliance Line, promoted on Viатris.com and in the Supplier Code of Conduct.

continuity, compliance and reputation

- Promoting responsible practices that improve ethics labor, health, safety and environmentally sustainable outcomes for our supply chains in line with PSCI principles
- Building strong and long-term relationships with our strategic CMOs/suppliers and delivering on our commitment to minimize EHS risk concerning our business, liability and reputation
- Engaging suppliers on environmental and social sustainability
- Supporting Viатris' commitments to the UN Global Compact, AMR Industry Alliance and PSCI

The EHS and BR program is based on the PSCI principles: Environment, Health, Safety, Labor, Ethics and Management systems. Viатris employs the PSCI framework in auditing our suppliers and in promoting responsible practices across our supply chain. The program provides oversight of supplier performance, works to reduce EHS and BR risks and support supply continuity of the product to the patient. We are incorporating the requirements of our supplier EHS and BR program into the sourcing strategy and decisions. Suppliers are assigned risk ratings based on the onsite EHS and BR

assessment, thereby enabling Viатris' governance process to consider this as part of the supplier's decision making. Viатris works with suppliers who are amenable to actively reducing risk and improving EHS and BR performance by implementing timely corrective action plans.

We apply robust and proactive risk mitigation programs with current suppliers and for qualifying alternate suppliers. We monitor performance through reporting, trend analysis and consistent business review meetings and maintain escalation and cross-functional issue management processes.

Sourcing teams routinely meet with suppliers to review the performance of supply and create action plans to address identified risks. For our third-party finished-dose formulation suppliers, we maintain an end-to-end product management approach.

## Source Selection

Source selection is a key sourcing process for direct materials to ensure vendors meet our minimum standards for quality, cost and compliance. Key vendors of strategic brands are assessed against PSCI principles, which define, establish and promote responsible supply chain practices, human rights, environmental sustainability and responsible business.

## Supplier Diversity in the U.S.

Promoting DEI goes beyond our colleagues and serving patients. Advancing how we consider DEI in our business dealings is part of how we help to create more equal and resilient communities.

In the U.S., the Supplier Diversity Program supports small businesses and businesses owned by minorities, women and veterans. We are committed to continuing to build relationships with small and diverse businesses. As a U.S. federal government contractor, we complete an annual commercial subcontracting plan under which we set supplier diversity goals. We then track and report our achievements for the previous year. Additionally, we routinely monitor

spending and provide employee training and access to databases featuring diverse suppliers to promote these businesses. Our senior sourcing members meet quarterly to review achievements related to supplier diversity. Moreover, we continue to make program adjustments and expand outreach opportunities, such as attending small business conferences. Viatris strives to continuously improve our procurement processes and employee training materials as we seek to consistently evolve and expand our efforts in this area.

## Tackling Medicine Shortages

Drug shortages are a challenge across the globe, with several causes that are in some instances very complex. This has been especially true amid the COVID-19 pandemic. The constraints of the pandemic and the war in Ukraine have added to an already strained system, where global demand for medicine is increasing significantly, putting extra pressure on manufacturers and supply chains to produce and supply products around the globe. Global supply chain disruptions are continuing, exacerbated by global unrest and inflation. Countries are increasingly promoting policies

on domestic manufacturing of medicines to strive for ensuring reliable supply. However, the solution to cross-border reliance on supply of medicines is not to duplicate production in every country around the world; it is to commit to strengthening international cooperation and commitment to ensure the free flow of medicines. At the same time, governments all over the world are facing the urgent need to manage spending amid increasingly tight budget constraints.

Generic medicines have proven to be important in addressing both challenges: Generics lower the cost of medicine through increased competition in the marketplace with the increased availability of treatments. However, generics manufacturers are facing increasing costs related with inflationary pressure combined with procurement models that often only look at the lowest price or pricing systems that don't allow medicine prices to keep up with unprecedented spikes in production costs. The combination can be difficult for industry to manage while pursuing the mission of access. Global, diverse and flexible supply chains are essential to timely access to affordable medicine and, to that end, a key element in mitigating shortages is to promote and uphold policies that protect and enable these supply chains.